



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND  
GENERAL MANAGEMENT STUDIES

MAR 1 1972

B-147752

Dear Mr. Moot:

We have reviewed the Department of the Navy's program for storage and disposal of contracts and of disbursement and collection vouchers. Our review was made to gain an insight into how efficiently the Navy records disposal program was operating.

Our review was performed at the Navy Finance Center, Cleveland, Ohio; three Navy purchasing activities; nine material-receiving activities; and 10 disbursing activities. Questionnaires were sent to 100 Navy activities. At these activities we were interested in determining how many copies of contracts or vouchers were being made, how long the documents were being retained or stored, whether there were adequate records disposal procedures prescribed, and whether the retention time periods designated for such records were sound.

The Congress, recognizing the need to control the creation and storage of records, provided for a comprehensive records management program in the Federal Records Act of 1950. This act placed the responsibility for an efficient records management program on each Federal agency.

The Navy retains 4 billion pieces of paper in its offices and requires 2.2 million cubic feet of space--equal to the space in 300,000 filing cabinets--to hold records. Further the Navy has substantial holdings of paper stored at Federal records centers.

We found indications that records had been held or stored for excessive periods because of (1) misclassification of records, (2) failure to destroy unneeded copies of documents, (3) an excessive prescribed retention period, and (4) noncompliance with disposal instructions.

If the problems revealed in our review of contracts and vouchers are also applicable to the numerous other records in the Navy system or to the records of other components of the Department of Defense, correction of these problems might result in significant cost savings.

Details of our findings follow.

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MISCLASSIFICATION OF CONTRACTS AND  
NONCOMPLIANCE WITH DISPOSAL INSTRUCTIONS

In fiscal year 1970, 3.4 million contracts were awarded. In administering these contracts, additional copies of contracts, memorandums, and other financial documents were made. We found that many official contracts and copies of contracts were being retained or stored for unnecessary periods of time.

To determine how long copies of contracts were being retained, we asked 100 Navy activities what procedures they followed for retaining or storing contract files. We were able to properly evaluate only 36 of the 86 questionnaires returned by Navy activities, because 50 of the returned questionnaires were incomplete. We found that, of these 36 activities, 18 were retaining contracts for too long a period of time due to misclassification of contracts or failure to comply with prescribed retention periods.

Of the activities that responded, 26 stated that they retained official contract files for 3 or 6 years as required by the Navy records disposal instruction. Our evaluation of these questionnaires, however, showed that 17 activities did not retain contracts as prescribed. We found that:

- Seven activities had misclassified material receipt files as official contract files and consequently had held them too long; material receipt files are to be retained for only 2 years.
- Nine activities had improperly retained official contract files for too long a period of time. The improper retention actions of two of these activities were attributed to using a retention period prescribed in an obsolete Navy records disposal instruction.
- One activity had not retained its official contracts for as long a period of time as prescribed.

Following are examples of the above problems.

- At a naval air station, files used to control receipt of materials were improperly classified as official contract files. These files were retained 3 years for contracts valued at \$2,500 or less and 6 years for contracts valued

over \$2,500. They should have been retained only 2 years--the period of retention for material receipt files as prescribed in the Navy records disposal instruction.

The supervisor of the organization that misclassified the files informed us that the Navy records disposal instruction was difficult to interpret to identify those records which should be considered as official contract records. As a result he considered the material receipt files as official contract files and held them for the longer 3- or 6-year period.

--At a naval ammunition depot, official contract files were being retained 4 years if contracts were valued at \$2,500 or less, 7 years if contracts were valued at more than \$2,500 but less than \$25,000, and 11 years if contracts were valued at \$25,000 or over. These retention periods were prescribed in the Navy records disposal instruction dated June 1961--an obsolete instruction. We were informed that the depot received an updated instruction in June 1971.

Of the activities that responded, 10 stated that, as consignees, they had maintained material receipt files up to the prescribed 2 years. We found, however, that two of the 10 activities had not properly retained these files. One of the activities which did not adhere properly to the instructions held the material receipt files 2 years and then stored them indefinitely for the activity's convenience in a local warehouse. The other activity which did not adhere properly to the instruction stored records up to 5 years at a Federal records center--3 years longer than required.

These actions resulted in the needless storing of millions of pages of contracts at Federal records centers. For example, eight activities needlessly stored 1,093 cubic feet of contract records--3.3 million pages--in calendar years 1967 through 1970 because they misclassified material receipt files as official contract files or stored records beyond the prescribed retention periods.

Such conditions could be avoided if Navy activities adhered to the provisions of the Navy records disposal instruction. Some activities are using an obsolete instruction which requires longer holding periods for contracts, while some others, although they are aware of the correct holding periods, are actually holding contracts longer

than required. Still others are retaining contracts indefinitely although specific retention periods are prescribed in the instruction.

Unnecessary storage of extra copies

Copies of contracts, memorandums, and related documents are being stored unnecessarily, along with the official contract files. To prevent unnecessary storing of such copies, the Navy needs to segregate copies from the official contract files. Then these copies can be destroyed when the official contract files are sent to storage.

Navy instructions provide that copies be disposed of immediately when their purpose has been served, to prevent cluttering the official files. General Services Administration (GSA) guidelines, which the Navy follows, recommends the use of a separate file for copies of documents to aid in their disposal.

To ascertain how many copies of documents were in the official contract files, we examined selected official contract files which were to be stored at Federal records centers by three purchasing offices. Of the documents in these files, 61 percent were extra copies which should be destroyed rather than stored. Assuming that this percentage is applicable to all other official contract files stored by these purchasing offices, millions of extra copies are being stored unnecessarily at Federal records centers.

The storage of copies of documents is attributed to purchasing-office personnel who file copies of documents in the official contract files. When these files are sent to storage, the copies are not removed and destroyed. This could be prevented if two files were established initially--one for the official contract file and one for extra copies as recommended by GSA. Then the file of extra copies could be destroyed while the official contract file is sent to storage. Adopting this procedure would eliminate any screening of files to eliminate copies of documents. We did note that this procedure was already in use at a Navy activity we visited.

VOUCHERS UNNECESSARILY RETAINED

Each year Navy disbursing offices initiate about 5 million disbursement and collection vouchers. In addition, about 20 million copies of these vouchers are made for administrative purposes. We

believe that a significant number of these copies eventually were being retained at Navy disbursing offices and/or stored at Federal records centers beyond their usefulness.

On the basis of the distribution and disposition of a typical voucher, we estimate that Navy disbursing offices retain and/or store needlessly about 7 million copies of vouchers for varying periods of time. These copies can be destroyed after they have served their administrative purposes because the original vouchers are retained for audit and reference purposes.

In accordance with GSA requirements, the Navy requires disbursing officers to retain copies of disbursement and collection vouchers 4 years after payment. The originals are maintained longer.

Most disbursing officers we interviewed told us that they referred to copies of vouchers frequently during the first or second year after payment and seldom thereafter. Some of these officers were under the erroneous impression that they had to retain copies for GAO onsite audits. GAO, with the exception of civilian payroll, audits vouchers at a central location.

Other disbursing officers informed us they forwarded copies of vouchers to Federal records centers because they lacked storage space. If copies of vouchers were retained for shorter periods of time, more filing space would be available. It therefore would be unnecessary to store vouchers at Federal records centers, and the cost of screening, boxing, and shipping vouchers would thereby be avoided.

#### CONCLUSIONS AND RECOMMENDATIONS

Records are being produced and accumulated in vast quantities by the Federal Government, and, unless they are properly disposed of, unnecessary costs will be incurred in maintaining records beyond their usefulness. Our limited review of two types of documents within the Navy showed that a significant number of records were being retained or stored unnecessarily. If the same problems apply to the numerous other records in the Navy system or to the records of other components of the Department of Defense, correction of these problems might result in significant cost savings.

We recommend, therefore, that you bring this report to the attention of the other Defense components and emphasize the need to review their records management program.

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We recommend also that the Secretary of the Navy

- emphasize to activities that only official contract files be classified as such and be retained only for the prescribed retention periods;
- emphasize to activities the advantages of initially establishing two files for contracts, one for the official contract file and one for extra copies; and
- evaluate the retention schedule for copies of vouchers and establish a shorter retention period, if warranted.

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We would appreciate receiving your comments on the findings and recommendations contained in this letter.

Copies of this letter are being sent today to the Secretary of the Navy.

Sincerely yours,

  
Assistant Director

The Honorable Robert C. Moot  
Assistant Secretary of Defense  
(Comptroller)

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